

**MINUTES OF THE
RETIREMENT AND INDEPENDENT ENTITIES INTERIM COMMITTEE**

Wednesday, November 16, 2011 – 7:30 a.m. – Room 445 State Capitol

Members Present:

Sen. Daniel R. Liljenquist, Senate Chair
Rep. Don L. Ipson, House Chair
Sen. Karen Mayne
Sen. Stuart C. Reid
Rep. Bradley M. Daw
Rep. Susan Duckworth
Rep. Gage H. Froerer
Rep. Wayne A. Harper
Rep. Lynn N. Hemingway
Rep. Bradley G. Last
Rep. Merlynn T. Newbold

Members Absent:

Sen. Curtis S. Bramble
Sen. Luz Robles
Sen. Daniel W. Thatcher
Rep. Mark A. Wheatley

Staff Present:

Mr. Benjamin N. Christensen, Policy Analyst
Ms. Shannon C. Halverson, Associate General Counsel
Ms. Catherine J. Dupont, Associate General Counsel
Ms. Debra Hale, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.leg.utah.gov.

1. Call to Order

Chair Liljenquist called the meeting to order at 7:41 a.m.

There was no quorum present to approve the minutes of the October 19, 2011 meeting.

2. Total Compensation Market Survey and Analysis Study

Mr. Jeffrey Herring, Executive Director, Department of Human Resource Management, stated that, at the recommendation of the Governor's Optimization Commission (created during the administration of former Gov. Bangerter), state employee compensation was highlighted as a study item this year. He noted that a broad-based steering committee was formed and made up of legislators, employee associations, the Utah Retirement Systems, the Public Employees Health Program, the Division of Finance, the Department of Human Resource Management, and Chair Liljenquist, to evaluate the state's total compensation. Mr. Herring pointed out that this steering committee put out a Request for Proposal to get an independent look at broad-based compensation. He informed the Committee that the Hay Group was commissioned on a very expedited time line. He then turned the time over to representatives from the Hay Group.

Mr. Neville Kenning, Vice President, Hay Group, distributed and presented "State of Utah - Total Compensation Market Survey and Analysis Study Presentation to Legislative Committees - November 15 and 16, 2011." He stated that the objective of the study was to give the basis for making decisions about the appropriate mix of compensation, rather than to determine whether to pay more or less in salary. He added that the focus is not only about today's employees, but also those individuals whom the state is trying to attract as future employees.

Mr. Kenning's presentation focused on: (a) Why was the study done, (b) How was the study conducted, and (c) What does the analysis show. He pointed out that, on an aggregate basis, the state is

approximately 10.5 percent behind market on salary, with variations by salary level and job family. He said the current midpoint is approximately 6 percent behind the market's average actual salary.

Ms. Malinda Riley, Benefits Consultant, Hay Group, presented the benefits compensation analysis of the study. She said that, compared to the Utah employer market, the state's benefit package is better than 75 percent of the market. Ms. Riley emphasized that the biggest drivers of the value of the state's benefit package are the healthcare and retirement programs. She stated that total compensation (benefit and salary) is at or below the market median in the Hay Group market, as the higher benefits program value does not fully offset the low salary compensation.

Ms. Riley explained the mix of salary versus benefits in terms of the state. She illustrated the mix for a \$45,000 employee, the total compensation for whom is \$76,287. She discussed the market analysis findings regarding paid time off versus the state's traditional leave system. She said that Hay Group believes that, based on the market results, the traditional structure of the state's program reflects current market practice and that paid time off is not increasing in prevalence in the market, suggesting that the Committee should continue with the current leave program. Ms. Riley then examined Post Retirement Medical benefit options to get the state's program more aligned with market practice.

Mr. Kenning concluded the Hay Group presentation by describing the market analysis findings regarding pay for performance, other states' most prevalent form of delivering pay in the private sector. He encouraged the Committee to first address the structural issues, which is total compensation to effectively rebuild the 'house', then calculate salary increases by percentages.

Mr. Herring emphasized his belief that the appropriate action going forward is to examine the mix of salary and benefits. He said that the state cannot continue to cut benefits and expect to attract the workforce the state requires. He stated that, as it stands, looking at the state's demographics, the state is built for retaining, but not much for attracting, a workforce.

Ms. Debbie Cragun, Administrative Director, Department of Human Resource Management, spoke of the qualities of the steering team as having a good working relationship and being a diverse, yet agreeable group.

3. Retirement Modifications (draft legislation)

Mr. Daniel D. Anderson, Legal Counsel, Utah Retirement Systems, referred to 2012 General Session draft legislation, "Retirement Modifications" (2012FL-0489/002) as the retirement system cleanup bill and highlighted three items this bill is intended to clarify: (a) which employers can be excluded from Tier II; (b) post-retirement restrictions; and (c) which employees can be exempted from Tier II coverage.

Due to the lack of a quorum, the Committee did not take action on the draft legislation.

4. Other Committee Business / Adjourn

Mr. John Reidhead, Director, Division of Finance, Department of Administrative Services, distributed a presentation "Addressing Long-Term Sick Leave Liabilities." There was insufficient time to address the presentation at this meeting.

Minutes of the Retirement and Independent Entities Interim Committee
November 16, 2011
Page 3

MOTION: Chair Ipson moved to adjourn the meeting. The motion passed unanimously with Rep. Duckworth, Rep. Froerer, and Rep. Harper absent for the vote.

Chair Liljenquist adjourned the meeting at 8:28 a.m.